

Message Text

LIMITED OFFICIAL USE

PAGE 01 JAKART 05402 260600Z

11

ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 CIAE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 IO-13 STR-04 CEA-01 /109 W

----- 114699

P R 260340Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 4039

INFO AMEMBASSY TOKYO

AMEMBASSY NEW DELHI

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY KAUL

AMEMBASSY ISLAMABAD

AMEMBASSY COLOMBO

AMEMBASSY KATHMANDU

AMEMBASSY WELLINGTON

AMEMBASSY MANILA

AMEMBASSY RANGOON

AMEMBASSY PORT MORESBY

AMEMBASSY VIENTIANE

AMCONSUL HONG KONG

LIMITED OFFICIAL USE JAKARTA 5402

USADB

EO 11652: NA

TAGS: EFIN EAID ADB

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JAKART 05402 260600Z

SUBJECT: SUMMARY OF ISSUES AT ADB ANNUAL MEETING

1. GENERAL TENOR OF 1976 ADB ANNUAL MEETING WAS CALMER AND LESS TENSE THAN 1975 MEETING WHICH OCCURRED DURING INDOCHINA CRISIS. WIDELY RECOGNIZED TURN-AROUND IN THE BUSINESS CYCLE WITH LDC BALANCE OF PAYMENT PROBLEMS EASING ALSO HELPED TONE OF MEETING. MAIN SUBSTANTIVE ISSUES IN BOTH FORMAL AND INFORMAL DISCUSSION WERE REPLENISHMENT OF ADF, ORDINARY CAPITAL INCREASE AND ADB RELATIONS WITH VIETNAM (SEE SEPTTEL).

2. IN SUMMARIZING MEETING ADB PRESIDENT INOUE IDENTIFIED ISSUES RAISED BY GOVERNORS REQUIRING INCREASED ATTENTION OF BANK MANAGEMENT AND BOARD. INOUE CLAIMED TO SEE WIDESPREAD SUPPORT FOR ORDINARY CAPITAL INCREASE WITH PAID-IN PORTION IN ADDITION TO CONTINUING DESIRE FOR PROMPT IMPLEMENTATION OF ADF REPLENISHMENT. IN EVIDENT RESPONSE TO US AND OTHER DEVELOPED COUNTRY MEMBERS, INOUE PROMISED THAT A THOROUGH REVIEW OF ADB FINANCIAL POLICIES BY THE BOARD OF DIRECTORS WILL TAKE TOP PRIORITY IN NEXT FEW WEEKS. INOUE WAS CAUTIOUS ON BEGINNING ADB EQUITY INVESTMENTS BECAUSE HE SAW POTENTIAL EFFECT ON MARKET FOR ADB BONDS, BUT ENTHUSIASTIC ABOUT CONTINUED CO-FINANCING ARRANGEMENTS. INOUE ON THE LAST DAY OF THE MEETING WELCOMED THE SOUTH VIETNAMESE DELEGATION -- WHICH HAD NOT ATTENDED OPENING DAY CEREMONIES. HE NOTED THAT THE BANK IS A NON-POLITICAL ENTITY AND WITH THE RESTORATION OF "NORMALCY" IN VIETNAM, THE WAY WOULD BE OPEN FOR THE BANK TO CONSULT AND CONSIDER ITS FURTHER ROLE IN THE AREA. INOUE NOTED THAT SEVERAL GOVERNORS HAD STRESSED THE IMPORTANCE OF AGRICULTURE AND RURAL DEVELOPMENT, AND OF DEVELOPING EDUCATIONAL SKILLS. HE PROMISED THE BANK WOULD CONTINUE TO PAY FULL ATTENTION TO AGRICULTURE AND EXPAND THE ROLE OF THE BANK IN DEVELOPING EDUCATIONAL SKILLS. FINALLY HE NOTED THE CONCERNS EXPRESSED BY SEVERAL GOVERNORS OF DMCS THAT THE TECHNICAL ASSISTANCE ACTIVITIES OF THE BANK BE EXPANDED, THAT THE FINANCING OF LOCAL CURRENCY EXPENDITURES BE LIBERALIZED AND THAT THE BANK MAKE GREATER USE OF PROGRAM LENDING. IN THIS REGARD, INOUE NOTED THAT THE BANK WOULD UNDERTAKE A THOROUGH STUDY OF "APPROPRIATE" PROGRAM LENDING FOR REHABILITATION AND MAINTENANCE PARTICULARLY WITH PROSPECTS

FOR SPECIAL FUNDS IN THE NEAR FUTURE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JAKARTA 05402 260600Z

3. BASIC RUNDOWN AS PRESENTED BY VARIOUS GOVERNORS FOLLOWS. THE SLOW RATE OF GROWTH, HIGH UNEMPLOYMENT, GROWING CURRENT ACCOUNT DEFICITS AND LARGE EXTERNAL DEBTS OF THE AREA WERE BASIC ARGUMENTS PRESENTED BY MOST DELEGATIONS IN SUPPORT OF ORDINARY CAPITAL AND ADF REPLENISHMENT. THE U.K. NOTED THAT CONTINUITY IN DEVELOPMENT PROGRAMS WAS EQUALLY AS IMPORTANT AS THE AVAILABILITY OF CAPITAL. WITHOUT TIMELY REPLENISHMENT, PROGRAMS WILL STALL TO THE DETRIMENT OF THE REGION. WHILE ADF RESOURCES WILL FLOW ALMOST ENTIRELY TO

SOUTH ASIA, ALL COUNTRIES SUPPORTED ADF OPERATIONS AS AN INTEGRAL NECESSARY PART OF ADB ACTIVITIES.

4. MOST SPEAKERS COMPLIMENTED THE ADB ON COMMITTING 37 PERCENT OF ITS LOANS TO PROJECTS IN THE AGRICULTURAL SECTOR AND THE ENDEAVOR TO DIRECT RESOURCES TO THE POOREST SECTORS. THERE WAS ALSO MUCH ENTHUSIASM ABOUT INCREASING THE NUMBER OF CO-FINANCING OPERATIONS OF THE BANK WITH BOTH OPEC AND PRIVATE FINANCIAL INSTITUTIONS AS A MEANS TO INCREASE AND ATTRACT NEW INVESTORS TO THE AREA AS WELL AS EFFECTIVELY STRETCHING BANK RESOURCES. SINGAPORE SUGGESTED THE ADB CONSIDER FLOATING BONDS IN THE ASIAN DOLLAR MARKET. THE FRG PLEDGED TO KEEP ITS CAPITAL MARKET OPEN TO THE REGION'S BORROWERS. MANY BORROWING MEMBERS FELT MORE USE COULD ALSO BE MADE OF LOCAL CONTRACTORS AND CONSULTANTS TO BOTH CONSERVE FUNDS AND ENCOURAGE INSTITUTION BUILDING. A FEW SPEAKERS FELT MORE LOCAL COST FINANCING BY THE ADB WOULD ALSO BE DESIREABLE TO SPUR IMPLEMENTATION OF MORE COMPLEX AND SOCIALLY DIFFICULT PROJECTS, E.G. RURAL DEVELOPMENT AND POPULATION PROGRAMS. KOREA WAS CONCERNED THAT TRENDS TOWARD PROTECTIONISM IN INDUSTRIAL COUNTRIES WOULD MAKE DIFFICULT SELF-FINANCING OF NATIONAL PROGRAMS THROUGH INCREASING TRADE REVENUES.

5. JAPAN, SWITZERLAND, NEW ZEALAND, NORWAY AND BANGLADESH ANNOUNCED CONTRIBUTIONS TO THE TECHNICAL ASSISTANCE FUND. AUSTRIA ANNOUNCED IT WILL CONTRIBUTE TO THE ADF. CHAIRMAN OF THE BOARD OF GOVERNORS M. N. HUDA (BANGLADESH) THOUGHT MORE PROGRAM LOANS WOULD ALLOW BANK TO HAVE MORE EFFECT ON THE EFFECTIVE AND COORDINATED DEVELOPMENT OF MEMBERS. SEVERAL OTHER LDCS ALSO URGED PROGRAM LENDING. HE ALSO LOOKED FORWARD TO IFAD FLOWS TO ADB. PAPUA NEW GUINEA MADE A LONG INTERVENTION COMPLAINING THAT OVERLY COMPLEX ADB PROCEDURES SLOWED IMPLEMENTATION AND INCREASED COSTS OF PROJECTS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 JAKARTA 05402 260600Z

6. PAKISTAN, INDIA, NEPAL, AND SRI LANKA ALL REPEATED THEIR COMMENTS OF LAST YEAR CONCERNING THE CHIREP ISSUE.

7. SEVERAL GOVERNORS REFERRED TO THE IMPORTANT ROLE OF PRIVATE SECTOR IN DEVELOPMENT. THE THOUGHT WAS EXPRESSED MOST ELOQUENTLY BY THE HONG KONG GOVERNOR SAYING, "GOVERNMENTS HAVE BECOME PREOCCUPIED

...WITH LENDING PROGRAMS ON CONCESSIONAL AND QUASI-CONCESSIONAL TERMS AND LARGELY FOR PUBLIC SECTOR DEVELOPMENT. AS A RESULT WE HAVE, I SUSPECT, TENDED TO IGNORE THE CONTRIBUTION TO ECONOMIC WELL-BEING WHICH WOULD STEM FROM A SIMILAR INPUT OF FINANCIAL AND OTHER RESOURCES INTO THE PRIVATE SECTOR, THEREBY, IN ADDITION, MOBILIZING THE POTENTIAL FOR SELF-HELP MORE EFFICIENTLY.

NEWSOM

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, MEETINGS, FINANCIAL CONTRIBUTIONS, MEETING DELEGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKART05402
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760157-0546
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760423/aaaaatbo.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by CunninFX>; APPROVED <15 SEP 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUMMARY OF ISSUES AT ADB ANNUAL MEETING
TAGS: EFIN, EAID, ID, VS, ADB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006